(c) whether the financial condition of several nationalised banks in the country is poor; and

(d) to what extent the ease of financial control on nationalised banks is going to help the sick nationalised banks ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) and (b) Government propose to permit the nationalised banks to access the copital Market to raise fresh equity. Government will, however, continue to retain majority share-holding in the equity of the nationalised barks.

With a view to improve the viability and financial health of the nationalised banks, a provision of Rs. 5700 crores has been made in the budget for the current year (1993-94). The nationalised banks will be required to enter into agreements with the Reserve Bank of India covering areas such as staff productivity, asset management and reduction of non-performing assets as a pre-requisite for the release of this additional share capital.

(c) During the year ended 31-13-1993, thirteen nationalised banks incurred losses aggregating Rs. 3763.61 crores.

(d) Contribution of additional share capital by the Government and raising of equity from the capital market will enable the nationalised banks to meet the capital adequacy norms prescribed by RBI and also expand their business which would otherwise be constrained.

Racket of Benami Transactions

1475. SHRI GURUDAS DAS GUPTA:
SHRI N. GIRI PRASAD:
SHRI KAILASH NARAIN SARANG:

Will the Minister of FINANCE be pleased to state.

(a) whether Government's attention has been drawn to news item which appeared in the Times of India, New Delhi edition of 20th November, 1993 on the alleged racket involving diversion and illegal encashment of stolen and benami cheques, drafts, dividend warrants and pay-orders which run into almost Rs. 2,000 crorers a year;

(b) if so, whether any investigation has been made into such rackets;

(c) if so, the details and what actions has been taken against the bank officials involved in these rackets; and

(d) the steps taken to prevent such rackets in future ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) Yes, Sir.

(b) to (d) Reserve Bank of India (RBI) has been receiving complaints regarding instances of fraudulent encashment of refund ordesrs, dividend warrants and other payment instruments. The RBI's invstigations have revealed that by and large the modus operandi employed in such fraudulent transactions was broadly as under :—

(a) Opening of fictitious accounts and lodgement/collection of stolen/pilfered/benami instruments and subsequent withdrawal of the proceeds thereof.

(b) Collection/lodgement of third party instruments in genuinely opened current accounts and subsequent withdrawal of the proceeds thereof.

(c) Encashment of payment instruments wherein payee names and maturity amounts were chemically altered and the instruments were collected through fictious accounts.

As far as public sector banks are concerned, as per available information, one Branch Manager and one Assistant Branch Manager of Central Bank of India have

placed under suspension for their involvement in opening of accounts which facilitated collection of such instruments. Similarly, Bank of Baroda has placed under suspension one Chief Manager and one Acting Chief Manager.

Reserve Bank of India has reiterated its instructions to the banks to strictly adhere to essential safeguards in the matter of opening/conduct of operative deposit accounts. The banks have also been directed to introduce the practice of obtaining photographs of depositors/account holders who are authorised to operate the accounts at the time of opening of all new operative accounts with effect from 1st January, 1994. In certain business pockets in Bombay, where the fraudulent encashment of payment instruments was reported to be prevalent, RBI has taken specific banches for inspection of Banks have also initiated action against the officials responsible for facilitating opening of new accounts in fictitious names either through active connivance or through non-adherence to prescribed procedure. Complaints have also been lodged with CBI/ Police authorities.

NRI Equity Participation in Private Sector Banks

1476. SHRI N. GIRI PRASAD:

SHRI N. E. BALARAM:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government are considering a proposal to allow NRI's equity participation upto 40 per cent in new private sector banks; and

(b) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) and (b) In terms of the detailed guidelines issued by Reserve Bank of India (RBI) for setting up new private sector banks, some of the applicants have indicated that they would endeavour to bring in funds from NRIs. The matter has been examined and it has been decided that NRI participation in the primary equity of a new banking company may be allowed to the extent of 40 per cent.

Cut in Subsidies

1477. SHRI N. GIRI PRASAD:

SHRI N. E. BALARAM:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government ment have been advised by the IMF to cut all subsidies at one stroke; and

(b) if so, what is Government's reaction thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) and (b) No sir, there has been no suggestion from the I.M.F. to ut all subsidies at one stroke. However, as a part of its process of fiscal consolidations, the Government is aiming at better targetting of subsidies.

State Governments Facing Losses of Revenue

1478. SHRI N. E. BALARAM:

SHRI CHATURANAN MISHRA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that State Governments are facing loss of revenue due to the revenue linked reforms of the Central Government;

(b) if so, what are these reforms and the extent of loss being incurred by each of the State Government; and